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| | Internship report on | |
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| | Categorization of loans and Credit Risk Management of Trust Bank Limited | |
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PREPARED BY

Sananda Das



BRAC Business School

Internship report on

Categorization of loans and Credit Risk

Management of Trust Bank Limited

Submitted By

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Submitted To

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SUBMISSION DATE: JANUARY 04, 2012

LETTER OF TRANSMITTAL

04 January, 2012

Mr. Abdul Alim Baser
Lecturer
Department of Business Administration
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Subject: Submission of internship report on “Categorization of loans and Credit Risk Management of Trust Bank Limited”

Sir,

I, hereby, submit you working report on “**Categorization of loans and Credit Risk Management of Trust Bank Limited**” which has been prepared as a partial fulfillment of the requirements for the degree Bachelor of Business Administration. I tried to put in all my knowledge that was gathered through the period of my graduation in order to complete this report. However, all *the internship and report completion period was a learning experience for me. The report might fail to notice any important condition. I hope that you would disregard my mistakes considering my limitation.*

Hence, I would be wondering if you go through my report and give your assessment to my work considering my limitation.

Yours sincerely,

Sananda Das
ID- 07204035

ACKNOWLEDGEMENT

First of all, I would like to express my deep gratitude to the GOD for fruitfully preparing this Internship Report.

It was a great pleasure to prepare project paper on the various aspects of credit activities and operations by **Trust Bank Limited**. I would like to thank and convey my gratitude to honorable Supervisor, Mr. Abdul Alim Baser Lecturer, Business Administration Department, BRAC University, for letting me to prepare this report. I would also like to express my sincere appreciation to her for her support and guidance and comprehensive feedback.

I am also grateful to the management of Trust Bank Limited for offering me the Internship Report. My special thanks to **Md. Nurul Hasnat**, Senior Vice President & Chief Manager (Gulshan Corp. Branch), **Abu Taher**, Assistant Vice President & Manager Operation, **Md. Abu Zafar Shamsuddin** (Senior Assistance Vice President & Manager (Credit & F. EX) **Syede Samim Are** (FAVP), Zakia Husnain **Mr. Mahmud** (MTO), Mr. Anik Ahmed, Mr. Sadat Hossain Khan and many more.

I am also owed to each person who I bothered inside and outside of TBL, Gulshan Branch, in carrying out this report.

TABLE OF CONTENT

| Item No | Particulars | Page No |
|----------------|---|----------------|
| | Executive Summary | v |
| | Chapter 01 (Introduction) | |
| 1.1 | Introduction | 01 |
| 1.2 | History | 01 |
| 1.3 | Product and Services | 02 |
| 1.4 | Vision | 08 |
| 1.5 | Philosophy of the Bank | 08 |
| 1.6 | Objective of the Bank | 08 |
| 1.7 | Organizational Hierarchy | 09 |
| | | |
| | Chapter 02 (Job Description on TBL) | |
| 2.1 | Working Experience at Trust Bank | 10 |
| 2.2 | Specific Responsibilities | 10 |
| 2.3 | Different Aspects of job Performance | 12 |
| 2.4 | Critical observation and Recommendation | 12 |
| | | |
| | Chapter 03 (Project Description) | |
| 3.1 | Origin of the Report | 13 |
| 3.2 | Objective of the study | 13 |
| 3.3 | Methodology | 14 |
| 3.4 | Limitation of the study | 15 |
| | | |
| | Chapter 04 (Credit Risk Management) | |
| 4.1 | Credit | 16 |
| 4.2 | Categories of Loans | 16 |
| 4.2.1 | Corporate Loans | 17 |
| 4.2.2 | SOD | 19 |
| 4.2.3 | SME Loans | 20 |
| 4.2.4 | Retail Loans | 23 |
| | | |
| 4.3 | Non-Funded Loan | 29 |
| 4.3.1 | Letter of Credit | 29 |
| 4.3.2 | Guarantee | 29 |
| | | |
| 4.4 | Credit Risk Evaluation | 30 |
| 4.5 | Credit Analysis | 30 |
| 4.5.1 | Borrower Creditworthiness | 31 |
| 4.5.2 | Sources of Information about Loan Customers | 32 |
| | | |
| 4.6 | Recovery Performance | 34 |
| 4.7 | Notes for Assessment of Category | 36 |
| 4.8 | Loan Interest Rate | 37 |

| | | |
|-----|---|----|
| | | |
| | Chapter 05 (Credit Risk Components & Findings) | |
| 5.1 | Credit Risk Component | 38 |
| 5.2 | Loan and Advance | 39 |
| 5.3 | Total Disbursement | 39 |
| 5.4 | Classification Process | 40 |
| 5.5 | Determining Clients Grade | 42 |
| 5.6 | Findings | 43 |
| | | |
| | Recommendation | 45 |
| | Conclusion | 46 |
| | Appendix-1 | 47 |
| | Bibliography | 48 |
| | | |
| | | |

EXECUTIVE SUMMARY

The principal reason banks are chartered by the government and the central bank is to make loans to their customers. Indeed, making loans is the principal economic function of banks to fund consumption and investment spending by businesses, individuals, and units of government. Bank loans support the growth of new businesses and jobs within the banks trade territory and promote economic vitality. For most banks, loans account for half or more of their total assets and about half to two-thirds of their revenues. No wonder, then, when examiners appear at a bank they make a thorough review of the bank's loan portfolio. Usually this involves a detailed analysis of the documentation and collateral for the largest loans, a review of a sample of small loans, and an evaluation of the bank's loan policy to ensure that it is sound and prudent in order to protect the public's funds. Trust Bank Ltd. gained success from the very beginning of their operation and were capable enough to hold the success year after year because they have a very strong backup to provide them financial support and they are the Army Welfare Trust. Total loans & advances of the bank as on December 31'2009 was Tk. 3266.31 Crore as against Tk. 160.40 Crore in FY2001. The credit portfolio of the bank is a mix of scheme loans, namely Micro credit, Consumers durable scheme loan (CDS), Marriage Loan, Car Loan, HBF Loan and Commercial Loans. Commercial Loans comprise Trade financing in the form of working Capital and industrial loans in the form of Term loans and other funded & non-funded credit facilities. Term financing indicates the participation in the industrial development of our country while by extending small loans TBL has fulfilled the borrowing needs of the low and medium income groups of our society. The classified loans & advances accounted for only 2.64% of the total Loans & Advance. The bank as a matter of priority in its the policy wants to ensure quality of its Loan Portfolio by strengthening post disbursement recovery measures as well as by prioritizing on Early Warning System (EWS) to check the growth of non-performing assets.

Chapter-1

Organization

Overview

1.1 INTRODUCTION

Bangladesh is one of the developing countries in the world. The economy of the country has a lot left to be desired and there are lots of scopes for massive improvement. In an economy like this, banking sector can play a vital role to improve the overall social – economic condition of the country. The banks by playing the role of an intermediary can mobilize the excess fund of surplus sectors to provide necessary finance, to those sectors, which are needed to promote for the sound development of the country. The motives of banks are profit-earning. The word ‘Bank’ refers to the financial institution that deals with money transaction. Banks collect deposits at the lowest possible cost and provide loans and advances at highest cost. The spread between the two is the profit for the bank. Commercial banks are primary contributors to the national development of the country. The revenue earning sources of banks are mainly loans and advances. The credit facility can be of two types: funded and non-funded. Funded credit can be expensive for the banks, as the bank has to pay interests. Non-funded credit includes Letter of Credit, Foreign Guarantee, Bank Guarantee, Remittance etc.; these are the main source of income for the foreign exchange business. If a bank can increase its import and export transactions, its profit will obviously reach a higher level, as the costs are negligible. Trust Bank Limited deals with money transaction as well as it deals with the customers. This report represents how the employees of Trust Bank Limited deal with the customers of their bank.

1.2 HISTORY

Trust Bank Limited is one of the leading private commercial bank having a spread network of 62 branches including SME across Bangladesh and plans to open few more branches to cover the important commercial areas in Dhaka, Chittagong, Sylhet and other areas in 2009. The bank, sponsored by the Army Welfare Trust (AWT), is first of its kind in the country. With a wide range of modern corporate and consumer financial products Trust Bank has been operating in Bangladesh since 1999 and has achieved public confidence as a sound and stable bank.

In 2001, the bank introduced automated branch banking system to increase efficiency and improve customer service. In the year 2005, the bank moved one step further and introduced ATM services for its customers.

Since bank's business volume increased over the years and the demands of the customers enlarged in manifold, our technology has been upgraded to manage the growth of the bank and meet the demands of our customers.

In January 2007, Trust Bank successfully launched Online Banking Services which facilitate Any Branch Banking, ATM Banking, Phone Banking, SMS Banking, & Internet Banking to all customers. Customers can now deposit or withdraw money from any Branch of Trust Bank nationwide without needing to open multiple accounts in multiple Branches.

Via Online Services and Visa Electron (Debit Card), ATMs now allow customers to retrieve 24x7 hours Account information such as account balance checkup through mini-statements and cash withdrawals.



The authorized capital of the bank is Tk. 5000 million. The Army Welfare Trust (AWT) is the major shareholder bearing 51% share. Total shareholders' equity at the end of March 2011 stood at Tk. 5,342,107,706, where Paid-up capital is Tk. 2,217,606,200, statutory reserve is Tk 6 7,160,847 and Retained Earnings is Tk. 2 11,645,023. The Paid- up capital is indicative of the face value of 5, 00,000 ordinary shares of Tk. 1,000/-each fully subscribed by the shareholders.



1.3 PRODUCT AND SERVICE

1.3.1 Deposit account:

1. CURRENT DEPOSIT:

Current Deposit Account is the net flow of current transactions with no restriction, including services and interest payments. Types of Current Deposit Account:

-  Individual, Joint
-  Proprietorship

-  Partnership
-  Club, Society, Trust, Autonomous Body, Govt. Dep't., Directorate etc.

2. SAVINGS DEPOSIT ACCOUNT:





A Saving Bank account (SB account) is meant to promote the habit of saving among the people.

Types of Savings Deposit Account:

-  Individual
-  Joint
-  Club
-  Society
-  Others

3. SHORT TERM DEPOSIT ACCOUNT:

Short Term Deposit Account is the net flow of current transactions including services and interest payments. Types of Short Term Deposit Account:

-  Public Limited Co.
-  Private Limited Co.
-  Govt/ Semi Govt. / Autonomous / Corp
-  Societies / Clubs. etc

4. FIXED DEPOSIT ACCOUNT:

A fixed deposit is meant for those investors who want to deposit a lump sum of money for a fixed period; say for a minimum period of 30 days to one year and above, thereby earning a higher rate of interest in return. Investor gets a lump sum (principal + interest) at the maturity of the deposit.

5. TRUST SMART SAVERS SCHEME (TSS):

The name of the scheme is 'Trust Smart Savers Scheme (TSS)' and an Account holder subscribing to this scheme will be called TSS Account holder.

6. TRUST MONEY DOUBLE SCHEME (TMDS):

The objective of this scheme is to double the deposited amount in the following way:

| Deposit Value | Maturity Value | Years | Rate of interest |
|------------------------------|------------------------------|---------|------------------|
| 10,000/- or multiple thereof | 20,000/- or multiple thereof | 9 years | 7.78% |

7. TRUST EDUCARE SCHEME (TES):

Students who are eligible to receive refunds from Bank are encouraged to enroll in this deposit. An applicant can open TES account in his own name, in his/her spouse's name or in the name of his/her children operated by the guardian.

8. MONTHLY BENEFIT DEPOSIT SCHEMES (MBDS):

The benefit of the scheme will be paid on monthly basis. As such this is called Monthly Benefit Deposit Scheme (MBDS).

- I. The benefit of the persons who intend to meet the monthly budget of the families from the income out of their deposit. It may be retired service holders, housewife of businessman & other professionals
- II. Trust and Foundations or other associations, which award monthly scholarship/stipends to students etc

9. LAKHOPATI SAVINGS SCHEMES:

| Monthly payable amount (Installment in BDT) | Duration/Period of the Scheme | Amount payable at maturity (BDT) | Rate of interest |
|---|-------------------------------|----------------------------------|------------------|
| 552 | 10 Years | 1,00,000.00 | 7.78% |
| 13,65 | 5 Years | 1,00,000.00 | 7.78% |
| 2,462 | 3 Years | 1,00,000.00 | 7.78% |

At the maturity the depositor will get TK. 1.00 Lac by the depositing monthly installment as per following arrangement. Monthly installment size, tenor and terminal benefit of the scheme will be as follows:

1.3.2 Retail Product:

Retail product items which provided by Trust Bank Limited are:

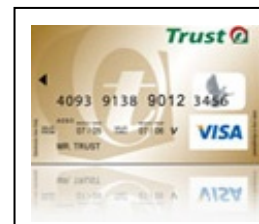
- ✚ House Hold Durable Loan scheme
- ✚ Doctor's Loan
- ✚ Advance Against Salary
- ✚ Education Loan
- ✚ Travel Loan
- ✚ Hospitalization Loan
- ✚ Any Purpose Loan
- ✚ Apon Nibash Loan
- ✚ CNG Conversion Loan
- ✚ Marriage Loan
- ✚ Loan Against TMDS

1.3.3 Credit Card:

Different types of credit card facility provided by Trust Bank Limited are:

Visa Gold Local:

- ✚ Unsecured credit line
- ✚ Operable only within Bangladesh
- ✚ Credit line for up to BDT 100,000



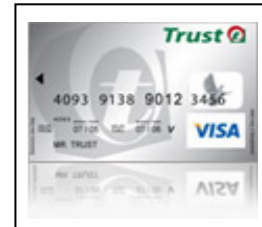
Visa Classic Local:

- ✚ Unsecured credit line
- ✚ Operable only within Bangladesh
- ✚ Credit line for up to BDT 50,000



Visa Classic International:

- ✚ Unsecured credit line
- ✚ Operable outside Bangladesh only
- ✚ Credit line equivalent to USD 1000



Visa Gold International:

- ✚ Unsecured credit line
- ✚ Operable outside Bangladesh only
- ✚ Credit line equivalent to more than USD 1000



Visa Dual Card:

- ✚ Unsecured credit line
- ✚ Operable both inside and outside Bangladesh
- ✚ Credit line in both currencies
- ✚ Combined limit is determined by the Credit Card Approval Committee



1.3.4 SME Finacing:

SME Financing criteria's are:

- ✚ Trust Falan Agri-Business Loan
- ✚ Entrepreneurship Development Loan
- ✚ Loan for Light Engineering

- ✚ Loan for Poultry Farm
- ✚ Loan for Shopkeepers
- ✚ Peak Seasons Loan
- ✚ Women Entrepreneur Loan

1.3.5 Automated Banking:

- ✚ Internet Banking
- ✚ Phone Banking
- ✚ SMS Banking

1.3.6 Islamic Trust Service:

Trust Islamic Banking is solely committed to conduct and manage the banking system abiding the Islamic law. Islamic Banking is Trade based banking system. Trade is mainly of two kinds- buy/sell and investment and both segment avoid the Interest completely. According to Islamic Shariah, buy/sell is process of purchasing of goods in a certain price with the buyer and seller's consent. Shariah has the explanations for different kinds of purchasing contracts. On the other hand, investment is a business based on profit-loss sharing. There are Shariah compliant explanations for it and Islamic banking is managed complying all the Shariah commandments. Success of Islamic Banking mostly depends on the commitment and knowledge of all the participators (bank and customer). Trust Bank is committed to offer the finest and modernized Islamic Banking system by means of its administrative professionalism and dedication.

1.4 VISION

Build a long-term sustainable financial institution through financial inclusion and deliver optimum value to all stakeholders with the highest level of compliance.

1.5 PHILOSOPHY OF THE TBL

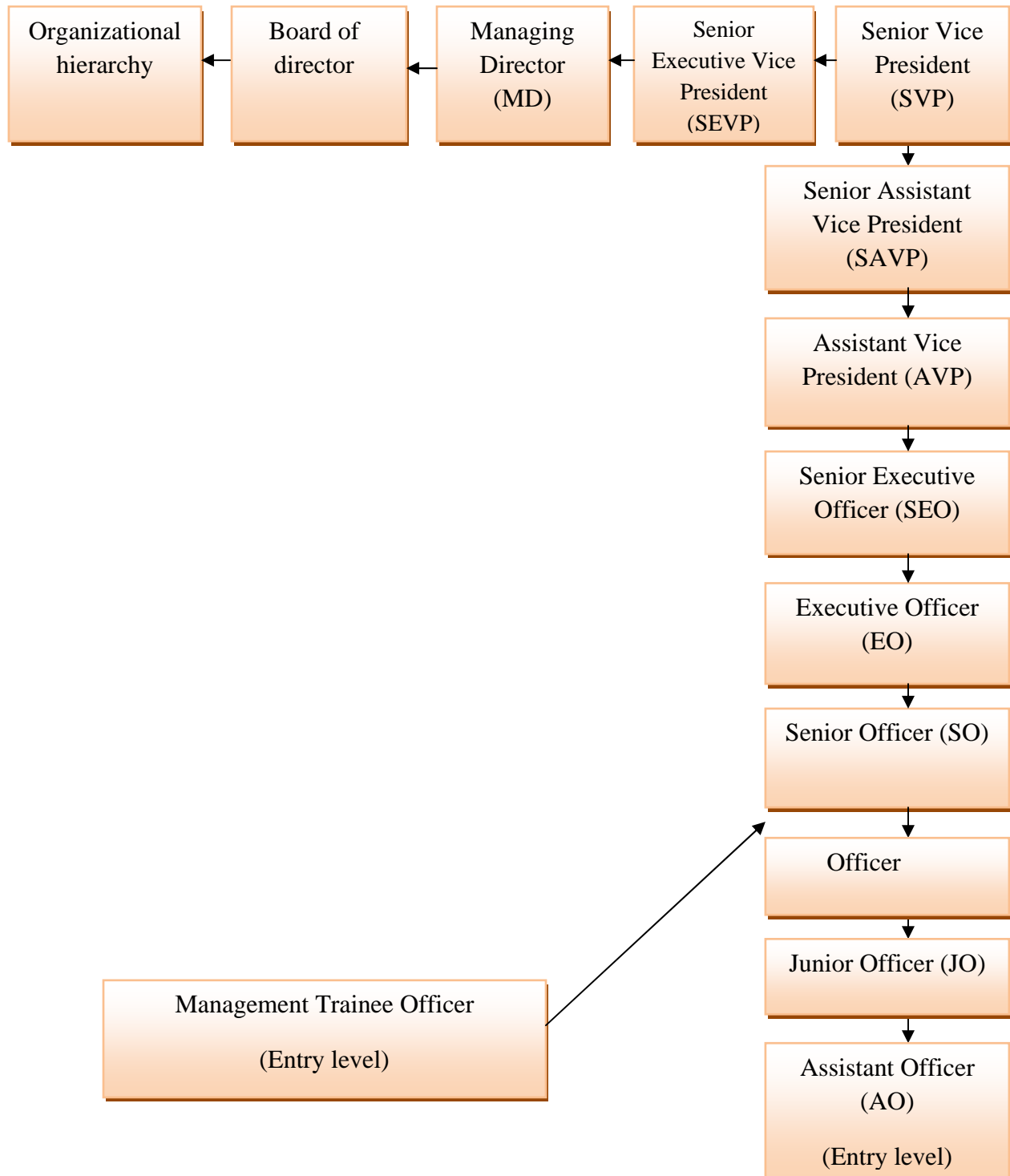
At present the bank has as many as 14 branches across the country and it is committed to become equal service providers compatible with the norms of commercial schedule bank. It renders all types of personal, commercial and corporate banking services to its customers within the purview of the Bank Companies Act, 1991 and in line with the directives and policy guidelines laid down by Bangladesh bank.

1.6 OBJECTIVE OF THE BANK

The Trust Bank Limited has been established with the objective of providing efficient and innovative banking services to the people of all sections of our society. One of the notable strengths of this bank is that it is backed by the disciplined and strongest Institution of Bangladesh i.e. Bangladesh Army and there is a synergy of welfare and profits in the dynamics of this institution. Bank is service-oriented industry and we on our part are committed to ensure customized Qualitative and hassle free services in our banking operations along with the focus to broaden the clientele base. The bank has extensively in the country's industrial and agricultural sectors in the coming days. The bank is committed to contribute as such as possible within its limitations for the economic growth and for ensuring value of its available resources.

1.7 ORGANIZATIONAL HIERARCHY OF THE TBL

The Organizational hierarchy of the Trust Bank Ltd. can be shown by the following diagram:



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| | <p><u>Chapter-2</u></p> | |
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| | <p>Job Description</p> | |
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2.1 WORKING EXPERIENCE AT TRUST BANK

Trust bank is one of the leading private schedule commercial bank of Bangladesh. Trust bank has a spread network of 62 branches across Bangladesh and they are planning to open few more branch. I was more than excited at the opportunity to join their internship program. Being able to work in this bank I find myself lucky. I worked at the Gulshan Branch of Trust bank. The working environment of Trust bank was really nice. The experience that I collect in three months that is very effective for me. I do my internship under Mr. Nurul Hasnat, Chief Manger, of Gulshan Corporate branch.

2.2 SPECIFIC RESPONSIBILITIES

During my internship I worked in different department. That is a great opportunity for me. At first I was in Dispatch Desk for one week then General banking section for seven weeks and finally in credit section for four weeks. So it was a great experience for me to work in different departments.

Dispatch desk:

- Have marked and sealed, with the date, subject, and the sender's information
- Record reference number of each letter
- Give requisition for cheque books and account opening form.
- Organize the cards and send them to the proper address (via courier)
- Provide particular information to the customer.

Remittance:

- Help customer to fill up accounting opening form
- Provide customer related information.
- Store all the form systematically and organized way.
- Scan the signatures of the new accountholders along with their pictures.
- Fill up Scheduled Bank Statistics (SBS) for each Deposit Pension Scheme, Current and Savings account, and Fixed Deposit Account
- Fill up KYC (Know Your Customer).

- ✚ Write Pay Order
- ✚ Prepare FDR and Pay Order block with seal

Account opening:

- ✚ Fill up current accounts from
- ✚ Make transaction portfolio
- ✚ Provide cheque books
- ✚ Provide internet banking form and help to fill it up
- ✚ Scan signature card and photograph
- ✚ Fill up SBS and KYC form for each customer

Clearing department:

- ✚ Collect clearing cheques (cheques from another branch)
- ✚ Endorse the cheque and send it for verifying signature
- ✚ Sealed the received cheques with crossing seal.
- ✚ If there are any return cheque call customer
- ✚ Record return cheque in register book

Credit:

- ✚ Had to rearrange all the customer files
- ✚ Printing, typing and photocopying documents
- ✚ Checking and filling up CIB forms
- ✚ Learning to put different types of seals
- ✚ prepare the inter-branch memo for pay order
- ✚ preparing head office forwarding letter
- ✚ Preparing purchase order for Car Loan, Doctor's Loan and Household Durables
Loan on the basis of client's quotation.
- ✚ Fill up all require information of a particular customer.
- ✚ Calculate processing fee and vat.

2.3 DIFFERENT ASPECTS OF JOB PERFORMANCE

- ✚ That is my great opportunity that when I was doing my intern Bangladesh Bank audit had come. In that time there was lot of audit claims. I was assigned to fill up more than 200 forms and prepared all necessary documents required for application. I completed that job within a very short time and my accuracy was making pleased my supervisor Syeda Shamim Ara.

2.4 CRITICAL OBSERVATION AND RECOMMENDATION

- ✚ A good chain of command is always followed
- ✚ Work load of remittance department is was more than compared to the number of working employees.
- ✚ There has not any chance of job rotation. To motivate employees it is much needed.
- ✚ To increase the rate of Work they need faster computer with user friendly operating system.

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| | <p><u>Chapter-3</u></p> | |
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| | <p>Project Description</p> | |
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3.1 ORIGIN OF THE REPORT

Internship Program brings a student closer to the real life situation and thereby helps to launch a career with some prior experience. It is also a part of our education. In our university we learn only theoretical knowledge but to collect practical knowledge we have to do intern. One of the main objectives of the BBA program is to create skilled professional for various sectors. This program is designed to meet the needs of each student who want to develop their career as executives in the field of different business areas as well as teaching and research positions in different institutions. BRAC University offered an opportunity to do intern. For the competition of this internship program, the author of the study was placed in a bank namely, “The Trust Bank Limited”. My paper topic is categories of loan and credit risk evaluation of Trust Bank. My internship was at The Trust Bank Ltd., Gulshan Corporate Branch, Dhaka. During my internship, I had to prepare a report under the supervision of Mr. Abdul Alim Baser.

3.2 OBJECTIVES OF THE STUDY

- **Project Objective:**

Presenting and Emphasizing on credit operation, credit risk management and credit performance including the credit payment system

- **Secondary objective:**

- To present an over view of The Trust Bank.
- To gain practical knowledge in the banking sector.
- To analysis the Lending procedures maintained by the TBL
- To observe principal Lending activities of The Trust Bank Ltd.
- To evaluate Lending performance of The Trust Bank Ltd.
- To measure the actual position in classified Loan and provisions maintained by the TBL.

- To appraise the actual Recovery position of the TBL.
- To evaluate the success of credit operations compare with other Banks.
- To identify problems in credit operations of The Trust Bank Ltd.
- To recommend suggestions for the successful Lending Operations of the Trust Bank Ltd.

3.3 METHODOLOGY

The study is performed based on the information extracted from different sources collected by using a specific methodology. There are various methods of conducting such studies. These are library method, interview method, observation method etc. This report is analytical in nature. The methodology is:

Population:

All the Branches of TBL located in everywhere in Bangladesh has been taken into consideration as population.

Sample:

Trust bank, Gulshan corporate Branch's Client is the vivacious sample. Employee of that branch is also sample of this report.

Two approaches have been mainly used in this report.

- a) Conceptual Approach: A theoretical section is given in this report (i.e. the organization part) to give an insight to the various information concerning the operational function. It is given in relevance with the organization in context i.e. The Trust Bank Ltd. Every single portion is discussed in order to understand the empirical section.
- b) Empirical Approach: This refers to the information that has been directly collected and interpreted from the survey on The Trust Bank Ltd. The report is prepared by interviewing the officials of The Trust Bank Ltd. The reports of The Trust Bank Ltd and documents are also been studied to do the report.

For preparing this paper, I used both Secondary and Primary data.

- Collection of Primary Data:
 - Many of the data and information were collected from my practical.
 - Experience queries from the executives while doing my internship at The Trust Bank Ltd.
 - Information and data regarding Overview of the TBL.
 - Interviewing officers and staffs.
 - Direct communication with the clients.

- Collection of Secondary Data:
 - Annual Reports.
 - Brochures, Manuals and Publication of the Trust Bank Ltd.
 - Internet and websites.

3.4 LIMITATION OF THE STUDY

- Data are not available in a systematic way.
- The duration of the internship is only 3 months (12 weeks) is not enough for the study
- The authorities were unwilling to provide data because of confidentiality of the organization.

| | | |
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| | <p><u>Chapter-4</u></p> | |
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Credit Risk
Management

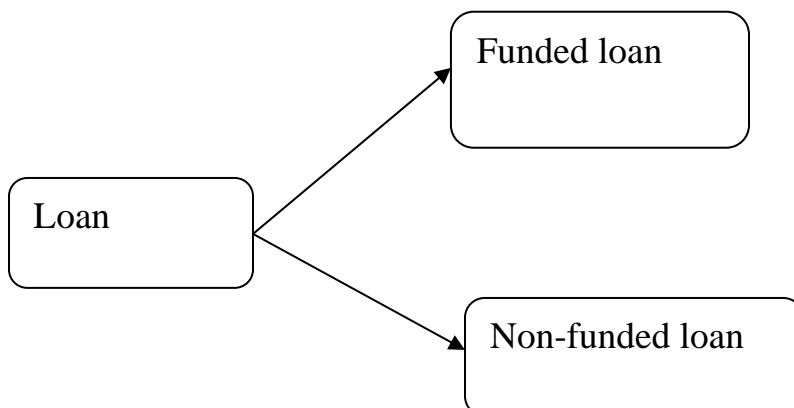
4.1 CREDIT

Credit is the means of investment made by the bank to the entrepreneurs and business community. Alternatively, this is the way of channeling fund to the deficit units where various risks and uncertainties are involved. Therefore every decision on credit matter should be taken with utmost care that can be ascertained through in-depth analysis, meticulous calculation and prudent judgment. A detailed and very comprehensive credit policy can guide the dealing credit officer to successfully maneuver the credit portfolio.

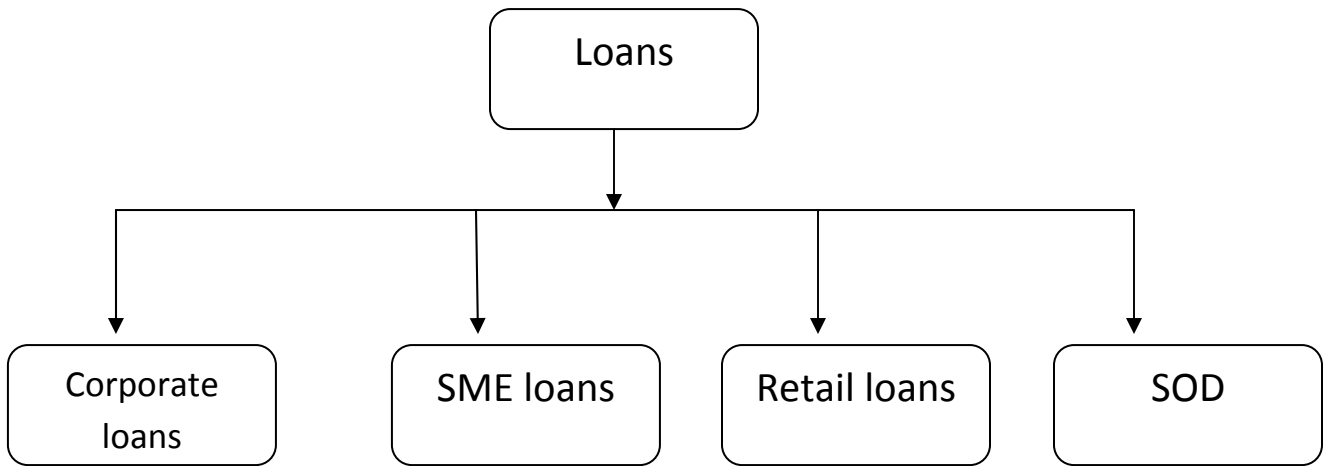
In formulating a credit judgment and making quality Credit Decisions, the lending officer must be equipped with all information needed to evaluate a borrower's character, management competence and capacity, capital, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations.

4.2 CATEGORIES OF LOANS

Loan can be categories in two ways. Those are given below:



Another way of categories of loan is base on different types of loans



4.2.1 Corporate loan:

Term Loans:

The term of loan is determined on the basis of gestation period of a project generation of income by the use of the loan. Such loans are provided for Farm Machinery, Dairy, Poultry, etc. It is categorized in three segments:

| <i>Types of Term Loan</i> | <i>Time (Period)</i> |
|---------------------------|----------------------|
| <i>Short Term</i> | 1 to 3 years |
| <i>Medium Term</i> | 3 to 5 tears |
| <i>Long Term</i> | Above 5 years |

Cash Credit (Hypo):

It allows to individuals or firm for trading as well as whole-sale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is a continuous credit. It allowed under two categories:

1. Commercial Lending
2. Working Capital

Cash Credit (Pledge):

Financial accommodation to individual/firm for trading as well as whole sale purpose or to industries as working capital against pledge of goods primary security falls under this head of advance. It also a continuous credit and like the above allowed under the categories:

1. Commercial Lending
2. Working Capital

PAD:

Payment made by the bank against lodgment of shipping documents of goods imported through L/C falls under this type head. It is an interim type of advance connected with import and is generally liquidated shortly against payments usually made by the party for retirements of documents for release of import goods from the customer authority. It falls under the category 'Commercial Lending'.

LTR:

Advances allowed for retirement of shipping documents and release of goods imported through L/C without effective control over the goods delivered to the customer fall under this head. The goods are handed over the importer under trust with arrangement that sales proceed should be deposited to liquidate the advances within a given period. This is also temporary advance connected with import that is known post-import finance under category 'Commercial lending'.

IBP:

Payment made through purchase of inland bill to meet urgent requirements of customer fall under this type of credit facility. This temporary advance is adjusted from the proceeds of bills purchased for collection. It falls under the category 'Commercial Lending'.

FDBP:

Payment made to a party through purchase of foreign documentary bills fall under this head. This temporary advance is adjustable from the proceeds of negotiable shipping/export documents. It falls under category 'Export Credit'.

LDBP:

Payment made to a party through purchase of local documentary bills fall under this head. This temporary liability is adjustable from proceeds of the bill.

4.2.2 SOD:**Over Draft (OD):**

OD is some kind of advance. In this case, the customer can over draw from his/her current account. There is a limit of overdraw, which is set by the bank. A customer can withdraw that much amount of money from their account. For this there is an interest charge on the over draw amount. This facility does not provide for every one, the bank will provide only those who will fulfill the requirement. It means that only real customer can get this kind of facility

SOD (General):

Advance allowed to individual/firm against financial obligation (i.e. lien of FDR/PS/BSP etc.) and against assignment of work order for execution of contract works fall under this head. This advance is generally allowed for a definite period and specific purpose. It is not a continuous credit.

SOD (Imports):

Advances allowed for purchasing foreign currency for opening L/C for imports of goods fall under this type of leading. This is also an advance for a temporary period, which is known as preemptor finance and falls under the category 'Commercial Lending'.

4.2.3 SME loans:**AGRI-BUSINESS LOAN**

Features

- ❖ Loan facility from TK. 2.00 lac to 100.00 lac to setup Agro Processing Units or to meet up working capital requirement of the business.
- ❖ No Mortgage or Equitable Mortgage for Loans up to TK.25 lac.
- ❖ Interest rate 15% (case to case basis).
- ❖ Processing fee 1% to 1.50%.
- ❖ Repayment Period 01(One) year for Time Loan/OD and maximum 03(Three) for Term Loan .
- ❖ Repayment of loan by Equated Monthly Installment (EMI) or from sales proceeds.

Eligibility

- ❖ Any sole Proprietorship or Partnership firm or Private Ltd. Co. having 03 years successfully business operation
- ❖ Monthly cash flow to repay the proposed Loan installment
- ❖ Owners in the age group of 25 to 60 years.

Entrepreneurship Development

Features

- ❖ Any Business Purpose Loan from Tk. 2.00 lac to 20.00 lac to purchase Machinery & Equipment or to meet up Working Capital requirement.
- ❖ No Mortgage or Equitable Mortgage for loans up to Tk. 5 lac.

- ❖ Interest rate 15% (case to case basis).
- ❖ Processing fee 1% to 1.50%.
- ❖ Tenor of Loan
For working capital maximum 01 year and for fixed assets purchase maximum 03 years.
- ❖ Repayment of Loan by Equal Monthly Installment (EMI) or from sales proceeds

Eligibility

- ❖ Any Sole Proprietorship or Partnership firm preferably having 02 years successful business operation.
- ❖ Monthly cash flow in support of proposed loan installment.
- ❖ Owners in the age group of 35 to 60 years having completed at least 18 years of service.

Loan for Light Engineering

Features

- ❖ Loan facility from Tk. 2.00 lac to Tk. 50.00 lac for Working Capital or to purchase Machinery & Equipment.
- ❖ No Mortgage or Equitable Mortgage for loans up to Tk. 25 lac.
- ❖ Interest rate 15% (case to case basis).
- ❖ Processing fee 1% to 1.50%.
- ❖ Loan Repayment Period:
Maximum 01(One) year for Time Loan/OD and for Term Loan maximum 05 years.
- ❖ Repayment of Loan by Equal Monthly Installment (EMI) or from sales proceeds.

Eligibility

- ❖ Any Sole Proprietorship or Partnership firm or Private Ltd. preferably having 03 years successful business operation.

- ❖ Monthly cash flow to support the proposed loan installment.
- ❖ Owners in the age group of 25 to 60 years.

Peak Seasons Loan

Features

- ❖ Loan Facility from Tk.2.00 lac to 20.00 lac for purchasing inventory to meet peak season's demand for different festivals.
- ❖ Interest rate 15% (case to case basis).
- ❖ Processing fee 1% to 1.50%.
- ❖ Loan Repayment Period: Maximum 03(Three) months.
- ❖ Repayment of loan by Installment or in Lump Sum within loan period.

Eligibility

- ❖ Any Sole Proprietorship or Partnership firm or Private Ltd. Co. having 03 years successful business operation.
- ❖ Cash flow in support of proposed loan installment.
- ❖ Age of the owners in the range of 25 to 60 years.

Loan for Poultry Farm

Features

- ❖ Loan facility from Tk. 2.00 lac to Tk. 20.00 lac for Poultry Business to meet up working capital requirement.
- ❖ No Mortgage or Equitable Mortgage for loans up to Tk. 5 lac.*
- ❖ Interest rate 15% (case to case basis).
- ❖ Processing fee 1% to 1.50%.
- ❖ Tenor of loan not exceeding 01 (One) year.
- ❖ Loan to be repaid by Equal Monthly Installment (EMI) or from sales proceeds.

Eligibility

- ❖ Any Sole Proprietorship or Partnership firm or Private Ltd. Co. having 03 years successful business operation.
- ❖ Cash flow in support of the proposed loan installment.
- ❖ Owners in the age bracket of 25 to 60 years.

Women Entrepreneur Loan

Features

- ❖ Any business purpose loan from Tk.1.00 lac to Tk. 50.00 lac.
- ❖ No Mortgage or Equitable Mortgage for loans up to Tk. 25 lac.
- ❖ Interest rate 10%.
- ❖ Processing fee 1% to 1.50%.
- ❖ Loan Repayment Period:
01 year for working capital finance and maximum 05 year for fixed assets purchase.
- ❖ To be repaid by Equal Monthly Installment (EMI) or from sales proceeds.

Eligibility

- ❖ Any Sole Proprietorship or any Partnership firm preferably having 02 years successful business operation.
- ❖ Monthly cash flow to support the proposed loan installment.
- ❖ Owners in the age group of 20 to 55 years

4.2.4 Retail loans:

ADVANCED AGAINST SALARY LOAN:

Life is continuously facing unforeseen events. For which sudden financial support is essential. Trust bank meets up the urgency at any moment through their "Advance against salary" scheme. The Loan limit is 0.5 lac -5.00 lac. In this scheme interest rate varies 16.5% to 18 %. In this

scheme the borrower doesn't have to give any down payment. Processing fee of the scheme is 1% (15% vat included). The details about the loan are given below:

| ADVANCED AGAINST SALARY LOAN | |
|-------------------------------------|---------------------|
| Loan Limit: | 0.5 lac -5.00 lac |
| Interest Rates (%) | 16.50% (Category A) |
| | 17.00% (Category B) |
| | 18.00% (Category C) |
| Tenor | 1 year to 3 years |

Eligibility:

- Confirmed employee having 3 years service ahead
- Maximum age limit of the borrower – 60 yrs; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

APON NIBASH LOAN

TBL offers Apon Nibash (House Finance) to customer with easy repayment schedule matching customer affordability. To fulfill long cherished dream customer take Apon Nibash loan. In this scheme interest rate is fixed. Trust bank also provide apon nibash loan for non- resident Bangladeshi (NRB). To take this loan customer have to fulfill some criteria. Those are given below:

- Maximum age limit of the borrower is 60 years.
- Confirm that he is an employee of govt. /Autonomous body or financial institution, or different Public Limited Company/Private Limited Company having Corporate Structure or Teachers of any school/college/university.
- If the customer is businessman he has to do it for five years.

Other details about the loan are given below:

| APON NIBASH LOAN | |
|-------------------------|-----------------|
| Loan Limit: | Up to 75.00 lac |
| Interest Rates (%) | 14.00% (Fixed) |

| | |
|--------------|-----------------------|
| Down Payment | 40% for Construction |
| | 30% for New Apartment |
| Tenor | Up to 20 years |

CAR LOAN

Now a car is no longer luxury but necessity. Moreover, a car is more than a symbol of prestige. Trust Bank Limited offers customer to materialize their dream of owning a car through TBL car loan facility. In this scheme interest rate always fixed and down payment rate is 20%. There are difference types of car loans. Those are: New car loans, Reconditioned Car loans, Microbus loans, Minibus & Truck loans. The eligibility of difference types of loan are given below:

For New and Reconditioned Car

- Confirmed Service holders, Businessman, Professionals
- Supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 years; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

For Microbus, Minibus & Truck

- Corporate bodies
- Individual(s) with supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 years; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

| | New Car | Reconditioned Car | Microbus | Minibus or Trucks |
|----------------|----------------|-------------------|----------------|-------------------|
| Loan limit | 2.00-20.00 Lac | 2.00-20.00 Lac | 2.00-15.00 Lac | 2.00-50.00 Lac |
| Interest rates | 15% | 16% | 14% | 14% |
| Tenor | 1 - 5 years | 1- 5 years | 1- 3 years | 1- 5 years |

DOCTOR LOAN:

Medical is a noble profession which is evolving fast. In a country like ours it is important to be a part of those changes as we cannot afford to be lag behind. Keeping that in mind and with a vision to support and promote health services, TBL provides Doctors' Loan. Loan limit depend on different purpose. There are two purposes:

- General purpose
- Specific purpose.

Eligibility:

- Specialization in a particular area of treatment such as Medicine Specialist, Eye Specialist, ENT Specialist, cardiac surgeon/specialist etc
- 5 years experience as specialist.
- Maximum age limit of the borrower is 60 years.

More details about the loans are given below:

| DOCTOR'S LOAN | |
|---------------|------------------------|
| loan limit | 1.0 lac -5.00 lac (GP) |
| | 10 lac (SP) |
| Interest rate | 18.50% |
| Tenor | 1 year to 5 years |
| Down payment | 20% |

ANY PURPOSE LOAN:

Customers have so many needs, some are attainable with our means & standing and some are unattainable. The unattainable needs can be met by "Any Purpose Loan". Loan interest rate is fixed. There is no down payment. loan processing fee is more in this scheme. The processing fee is 1.5% with 15% vat.

Eligibility:

- Confirmed employee of the Govt. Organizations/ Semi-Government Organizations / Autonomous Bodies / Multinational Companies / Banks /Insurance companies / Educational Institutions / Corporate Bodies
- Supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 yrs; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

| ANY PURPOSE LOAN | |
|-------------------------|-------------------|
| Loan Limit | 0.5 lac -5.00 lac |
| Interest rate | 18.50% |
| Tenor | 1 year to 4 years |

HOSPITALIZATION LOAN:

Trust bank Limited provide financial support for medical treatment. Crisis comes at anytime and well being comes at a price. That can never be compromised. Interest rate is fixed in this scheme. Processing fee is less than any purpose loan. Details about this loan are given below:

| HOSPITALIZATION LOAN | |
|-----------------------------|-------------------|
| Loan Limit | 0.5 lac -3.00 lac |
| Interest Rates | 15% |
| Tenor | 1 year to 2 years |

Eligibility:

- Employees of confirmed service holders, Businessman, Professionals
- Supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 yrs; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

TRAVEL LOAN:

Trust bank limited provide travel loan to the customer who plan to travel local or global exotic location. The main obstacle in case of travelling is short of money. So the people who want to travel but have lack of money don't be worried; Trust Bank Limited is ready to provide instant financial support. In this scheme interest rate if fixed. Customers have to pay 20% of the loan as down payment. Risk fund rate is 1%.

Eligibility

- Customer have to submit cash flow to proof the eligibility of re-pay loan
- Have to confirm that client is service holders, Businessman, Professionals.

More details about are given below:

| TRAVEL LOAN | |
|--------------------|-------------------|
| Loan Limit | 0.5 lac -3.00 lac |
| Interest Rates (%) | 16% |
| Tenor | 1 year to 2 years |

CNG CONVERSION LOAN:

In case of converting car in CNG people may need huge money. To support those people Trust Bank Limited provides CNG Conversion Loan. In this scheme customer have to pay 1000 take as processing fee. Customers have to pay 10% down payment. More details about the loans are given below:

| CNG CONVERSION LOAN | |
|----------------------------|--------------------------|
| loan limit | 0.6 Lac for Individual |
| | 1.00 Lac for Corporation |
| Interest Rates | 16% |
| Tenor | 18 months |

Eligibility:

- Any other persons who have adequate cash flow to repay the loan installment
- Maximum age limit of the borrower – 60 yrs; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.
- Have to confirm that client is service holders, Businessman, Professionals.

4.3 NON-FUNDED LOAN

4.3.1 Letter of Credit (L/C):

A letter of credit is a credit line given by a bank to an importer to facilitate both foreign and inland transactions. This is a contingent liability which can be converted into a funded facility incase Bank makes the payment on behalf of the importer. A letter of credit can be revocable or irrevocable, restricted or negotiable, and so on.

4.3.2 Guarantee:

Trust Bank offers guarantee for its reliable and valuable customer as per requirements. This is also a credit facility in contingent liabilities form extended for participation in development work like supply of goods and services. Main features of Bank Guarantee are:

- It is a written document on non-judicial stamp.
- Expiry date is mentioned specifically with other terms and conditions.
- Trust Bank receives commission @ 0.50% per quarter of the guaranteed amount.

4.4 CREDIT RISK EVALUATION

Mechanism of Credit Distribution of the TBL

The primary factor determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely basis. All credit comities made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, than the following steps furnish the approval procedure:

- Make a proposal by the client to the bank
- Give all the necessary documents
- Bank will send the parties statement to the Bangladesh Bank, their CIB (Credit Information Bureau) will inquiry that whether this party is defaulter or a new one.
- Bank will take the collateral from the party and analysis that how much it will cover the total loans.
- Bank will send this proposal to the head office. In the head office the Board of Directors and Managing Director will approve the loan.
- Head office will send the approval to the branch office.
- Branch office will give the sanction letter to the party.
- Bank will take the security and make it in their favor.

Disbursement:

After completing all the necessary steps for sanctioning loans bank will create a loan account by the name of the party and deposit the money to that account. Bank will give chequebooks to the party and advise them to draw the money and use it as soon as possible, because whenever the money will transfer to the account interest will count from that time.

4.5 CREDIT ANALYSIS

The division of the bank responsible for analyzing and recommendations on the fate of most loan applications is the credit department. Experience has shown that this department must satisfactorily answer three major questions regarding each loan application:

- Is the borrower creditworthy? How do you know?
- Can the loan agreement be adequately protected and the customer has a high probability of being able to service the loan without excessive strain?
- Can the bank perfect its claim against the assets or earnings of the customer so that, in the event of default, bank funds can be recovered rapidly at low cost and with low risk?

Let's look in turn at each of these three key issues in the "yes" or "no" decision a bank must make on every loan request.

4.5.1 Is the Borrower Creditworthy?

The question that must be dealt with before any other is whether or not the customer can service the loan—that is, pay out the credit when due, with a comfortable margin for error. This usually involves a detailed study of six aspects of the loan application—character, capacity, cash, collateral, conditions, and control. All must be satisfactory for the loan to be a good one from the lender's point of view.

Character: The loan officer must be convinced that the customer has a well-defined purpose for requesting bank credit and a serious intention to repay. If the officer is not sure exactly why the customer is requesting a loan, this purpose must be clarified to the bank's satisfaction.

Responsibility, truthfulness, serious purpose, and serious intention to repay all monies owed make up what a loan officer calls character.

Capacity: The loan officer must be sure that the customer requesting credit has the authority to request a loan and the legal standing to sign a binding loan agreement. This customer characteristic is known as the capacity to borrow money. For example, in most states a minor (e.g., under age 18 or 21) cannot legally be held responsible for a credit agreement; thus, the bank would have great difficulty collecting on such a loan.

Cash: This key feature of any loan application centers on the question: Does the borrower have the ability to generate enough cash, in the form of cash flow, to repay the loan? In general, borrowing customers have only three sources to draw upon to repay their loans: or (a) cash flows

generated from sales or income, (b) the sale or liquidation of assets or (c) funds is raised by issuing debt or equity securities. Any of these sources may provide sufficient cash to repay a bank loan.

Collateral: In assessing the collateral aspect of a loan request, the loan officer must ask, does the borrower possess adequate net worth or own enough quality assets to provide adequate support for the loan? The loan officer is particularly sensitive to such features as the age, condition, and degree of specialization of the borrower's assets.

Conditions: The loan officer and credit analyst must be aware of recent trends in the borrower's line of work or industry and how changing economic conditions might affect the loan.

Control: The last factor in assessing a borrower's creditworthy status is control which centers on such questions as whether changes in law and regulation could adversely affect the borrower and whether the loan request meets the bank's and the regulatory authorities' standards for loan quality.

The six Cs of credit aid the loan officer and bank credit analyst in answering the broad question: Is the borrower creditworthy? Once that question is answered, however, a second issue must be faced: Can the proposed loan agreement be structured and documented to satisfy the needs of both borrower and bank?

A properly structured loan agreement must also protect the bank and those it represents- principally its depositors and stockholders- by imposing certain restrictions (covenants) on the borrower's activities then these activities could threaten the recovery of bank funds. The process of recovering the bank's funds- when and where the bank can take action to get its funds returned-also must be carefully spelled out in a loan agreement.

4.5.2 Sources of Information about Loan Customers

The bank relies principally on outside information to assess the character, financial position, and collateral of a loan customer. Such an analysis begins with a review of information supplied by the borrower in the loan application. The bank may contact other lenders to determine their experiences with this customer. Were all scheduled payments in previous loan agreements made on time? Were deposit balances kept at high enough levels? How much was borrowed previously and how well were those

earlier loans handled? Is there any evidence of slow or delinquent payments? Has the customer ever declared bankruptcy?

Sources of Information about the Loan customers

- Physical Investigations
- Customer financial statements
- Experience of other lenders with this customer
- Customer Annual Report
- Local or regional credit bureaus
- Local Newspapers
- Local chamber of commerce

Customer Segmentation

Management of credit by segment wise approach is considered effective in the sense that an officer who requires managing in one particular segment gains experience by handling same type of borrowers. And in the course of handling he can expand his experience towards managing and administrating an increased number of accounts with accuracy and confidence. But an officer having number of accounts in various segments, with size and complexity will be constraint to give equitable attention to his job and judgment.

More over the segment market approach will create a sense of competition amongst the team members of different segments, which will effectively work towards achieving our annual target for deposit and advance, and a better credit administrative function.

The customer segmentation will be as under: -

- Personal segment
- Foreign government segment
- Public sector segment
- Multinational segment
- Local corporate segment
- Others i.e. who does not fall in the above segments

The basic job of our Account officer/Business relationship officer/manager is to manage his risk asset portfolio which, in short, includes appraisal, preparation of sanction advice, documentation, regular follow up, review of the account including restructuring/rescheduling, preparation of periodical return, recovery process etc.

Discouraged Business Areas

The Bank will not grant any facilities to the following Business Types:

- Bridge Loans relying on equity / debt issuance as a source of repayment;
- Counter parties in countries subject to UN sanctions;
- Finance of speculative investments;
- Finance of Military Equipment/Weapons;
- Highly leveraged Transactions;
- Lending to Holding Companies;
- Lending to slow moving items;
- Logging, Mineral Extraction/Mining, or other activity that is Ethically or Environmentally Sensitive;
- Lending to companies listed by CIB (Central Bank i.e. Bangladesh Bank's Credit Information Bureau) as defaulters or known defaulters / habitual defaulters;
- Highly perishable goods stored;
- Share lending;

4.6 RECOVERY PERFORMANCE

The recovery performance of the bank was not so good during the period 1999-2002. The credit administration and monitoring of this bank was inexperienced. This bank is monitoring and all the loans are sanction by the high authority whose are high officials of Bangladesh Army. This Bank has a common thinking that the people who taking loan from this bank always think that this is a army bank so if I failed to pay then it will be a very big problem for me. But this thinking did not work properly. That's why the management has to think about a well-designed Recovery Policy.

TBL introduces a new recovery policy in 2003

TBL has introduced a new department called Early Warning System Department (EWSD). The bank as a matter of priority in its policy wants to ensure quality of its Loan Portfolio by strengthening post disbursement recovery measures as well as by prioritizing on Early Warning System (EWS) to check the growth of non-performing assets.

The secondary task of this department is to collect money from the classified clients. But in the other banks the Branch Manager does this job. Other than that the recovery criteria are more or less same for the banks. At the very begging they send reminder letter. Then they send letter to inform them that they (bank) are going to sue against the client. Finally the banks sue against the client.

Early Warning System Department (EWSD)

TBL has a special department called EWSD. They who are responsible for all accounts classified in the bank's portfolio. Actually they have work like CID officers. However EWSD's responsibility will cover the areas of

- ❖ Monitoring and controlling the classified accounts through monthly reporting and quarterly review.
- ❖ Actively follow the borrowers for recovery.
- ❖ Negotiate and reschedule the debts.
- ❖ If the client don't utilize the new offer than it is the EWSD's responsibility to file suit against the client.
- ❖ EWSD will also prepare a Consolidated Report of all bad loans written-off on a quarterly.

TBL's Recovery Probability Categories to be assigned to All Classified Loans

Category

- ❖ Loans determined to have high probability of recovery within 6 months; recovery efforts to continue on an on-going basis.
- ❖ Loans determined to have moderate probability of recovery within 1 year; review recovery efforts on a 3 months basis.
- ❖ Loans determined to have low and remote probability of recovery; review case on a 6 months basis.
- ❖ Loans determined to have virtually no chance of recovery: charge-off the books. However in these situation proper approval from the appropriate approving authorities should be obtained and also shall be guided by Bangladesh Bank instructions and subject to complete analysis of:

- ✚ Banking practice.
- ✚ Legal and tax implication and
- ✚ Status of each individual credit.

4.7 NOTES FOR ASSESSMENT OF CATEGORY

Estimate the cost of continued collection efforts against any money, which can be reasonably expected to be recovered. Include in the cost (i) employee man-hour, (ii) legal expenses, (iii) charge of any external collection agency if used.

- **Why Recovery takes so much time**

Only because of existing rules and regulation recovery is a time consuming procedure. I think an example will make this thing clear. Let, Mr. X took loan from Y bank by giving a land as registered mortgage and become bad. Now bank cannot sell the land without the permission of court though the land was as registered mortgage to bank. So bank has to sue against Mr. X and court send notice to Mr. X. But Mr. X can delay his coming by saying he is sick and asking for

more time. Court give new date to settled the matter. Then on new date a person came to the court saying that he is the brother of the client and the land is their father's property. And most importantly, client didn't notify him before give the land to the bank. So court asks him to prove his claim. Finally, if court gives injunction in favor of bank, they face problem to sell the land. Because client put mussel-men protect the land from bank. Moreover people are not interested buy land on occasion from court. Finally the interesting thing is most of the time the same client but the land in another name

- **Loan-Pricing Method Used by the TBL:**

In pricing a business loan, Bank management must consider the cost of raising loanable funds and the operating costs of running the Bank. This means that Banks must know what their costs are in order to consistently make profitable, correctly priced loans of any type. There is no substitute for a well-designed management information system when it comes to pricing loans. The Trust Bank Limited is generally used the simplest loan-pricing model which assumes that the rate of interest charged on any loan includes four components: (1) the cost to the Bank of raising adequate funds to lend, (2) the Bank's non -funds operating costs (including wages and salaries of loan personnel and the cost of materials and physical facilities used in granting and administering a loan), (3) necessary compensation paid to the Bank for the degree of default risk inherent in a loan request, (4) Bank's desired profit margin.

4.8 LOAN INTEREST RATE

$$\begin{aligned} \text{LOAN INTEREST RATE} = & \text{Marginal cost of raising loanable funds to lend to the Borrower} \\ & + \\ & \text{Non-funds Bank operating costs} \\ & + \\ & \text{Estimated margin to protect the Bank against default risk} \\ & + \\ & \text{Bank's desired profit margin} \end{aligned}$$

| | | |
|--|--------------------------------|--|
| | <p><u>Chapter-5</u></p> | |
|--|--------------------------------|--|

| | | |
|--|---|--|
| | <p>Credit Risk Components & Findings</p> | |
|--|---|--|

5.1 CREDIT RISK COMPONENT

| Credit Risk | | | | |
|----------------|-------------------------------|--------------------|---------------------|-------------------------------------|
| Financial Risk | Business / Industrial Risk | Management Risk | Security Risk | Relationship Risk |
| Leverage | Size of business | Experience | Security coverage | Account conduct |
| Liquidity | Age of business | Succession | Collateral coverage | Utilization of limit |
| Profitability | Business outlook | Team work | Support | Compliance of Covenants / Condition |
| Coverage | Industry growth | | | Personal deposit |
| | Market competition | | | |
| | Barriers to business | | | |

Financial Risk: Probability of failure to meet obligation due to financial distress.

- High leverage
- Poor Liquidity
- Low profitability
- Insufficient cash Flow.

Business / Industry Risk: Adverse Industry situation / unfavorable business condition to impact repayment.

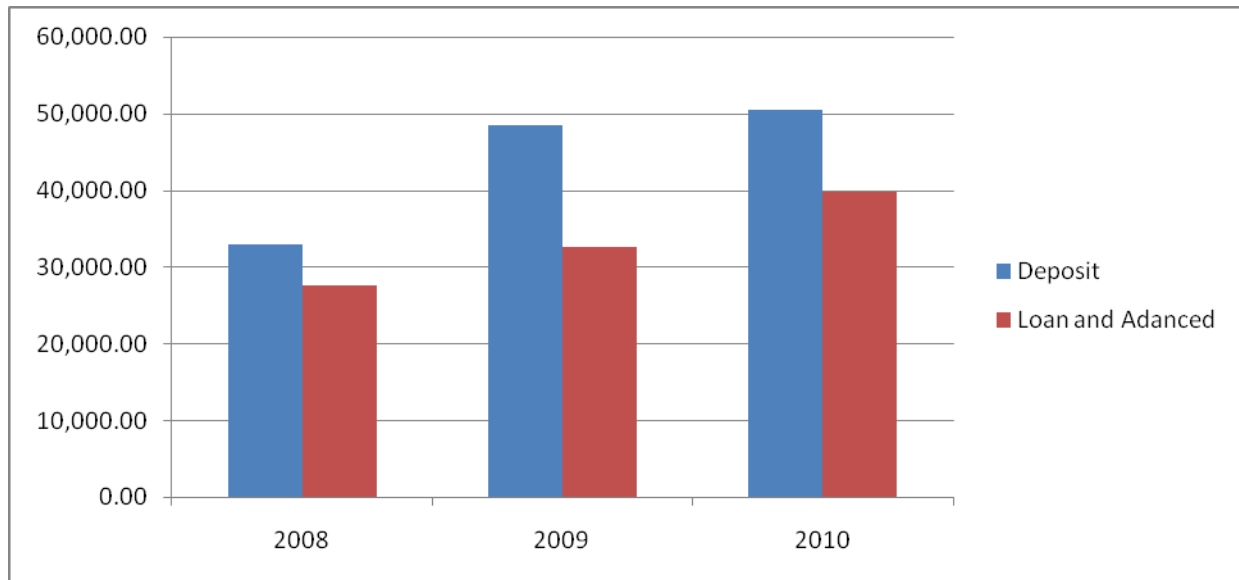
Management Risk: Probability of default due to poor managerial ability.

Security Risk: Probability of default due to poor quality of security.

Relationship Risk: Risk areas in terms of Borrowers Relationship.

5.2 LOAN AND ADVANCE

| year | Deposit | Loan and Advanced |
|------|-----------|-------------------|
| 2008 | 32,919.76 | 27,528.08 |
| 2009 | 48,464.64 | 32,663.11 |
| 2010 | 50,413.29 | 39,799.92 |



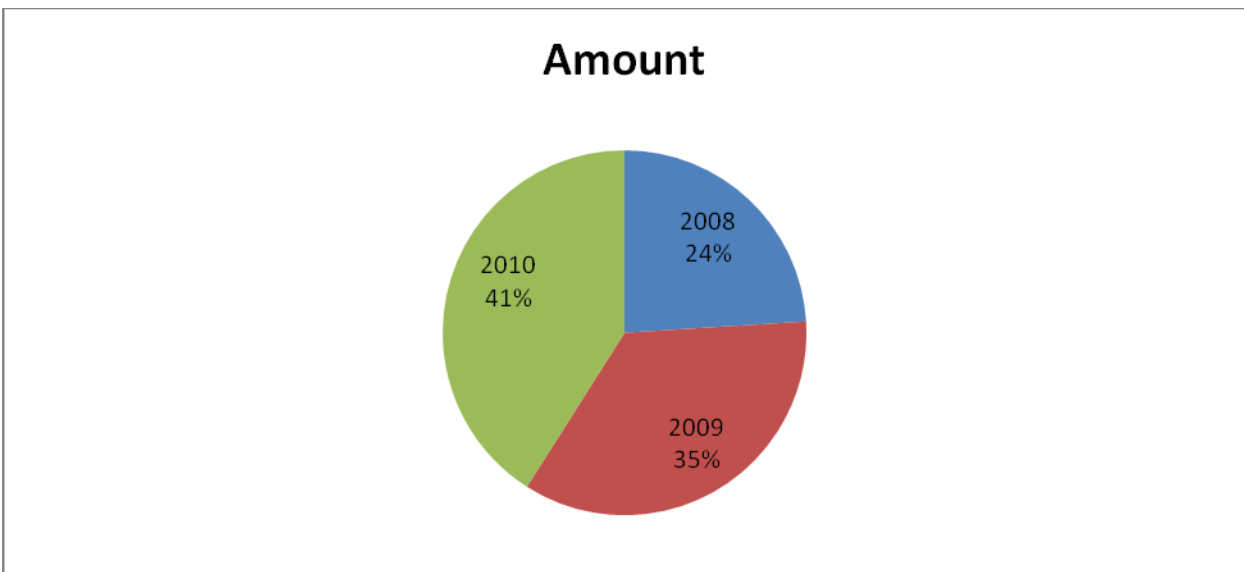
5.3 TOTAL DISBURSEMENT

After completing all the necessary steps for sanctioning loans bank will create a loan account by the name of the party and deposit the money to that account. Bank will give cheque books to the party and advise them to draw the money and use it as soon as possible, because whenever the money will transfer to the account interest will count from that time.

From the graph we can say that in the year 2010 the total loan disbursement is 41% to compare with other two financial years. In the year 2009 the loan disbursement was 35% and in the year 2008 the loan disbursement was only 24%. So according to this graph we can say that the bank's loan disbursement is increasing day by day. It is a positive sign for the bank. In the year 2009 to 2010 the percentage increased by 6% .It may be a good sign for the bank, because bank's main

earning source is loan disbursement, like: interest earning. It is a big part of the bank’s total earning. So the bank should take care in this loan side.

| Year | 2008 | 2009 | 2010 |
|--------|------|------|------|
| Amount | 24% | 35% | 41% |



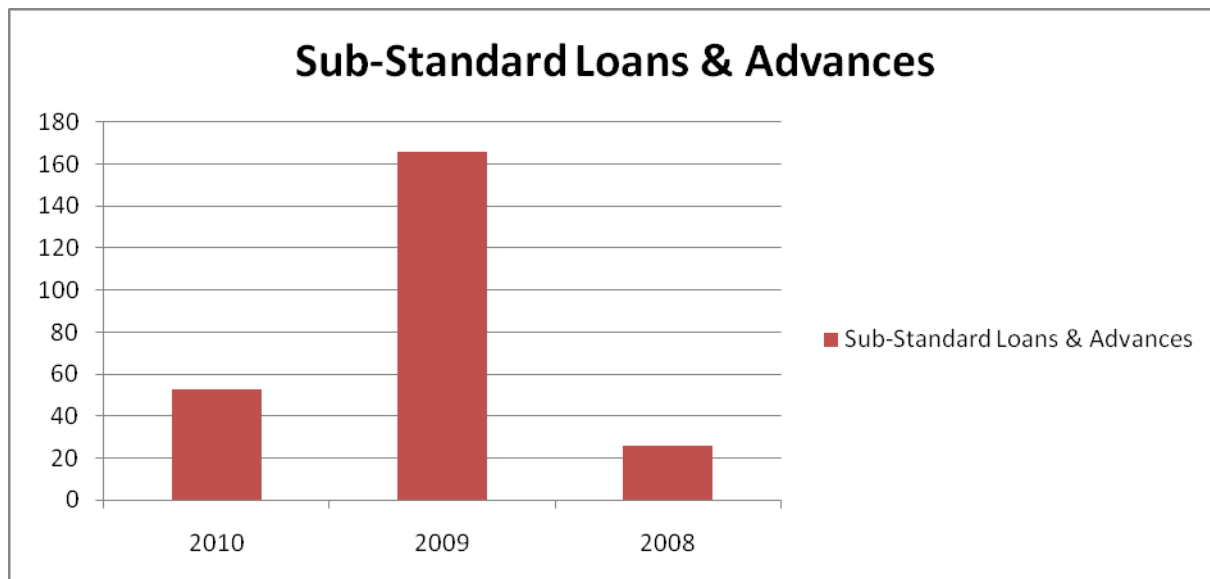
5.4 CLASSIFICATION PROCESS

For the purpose of determining the “Classified” status of an account, following guidelines are to be observed.

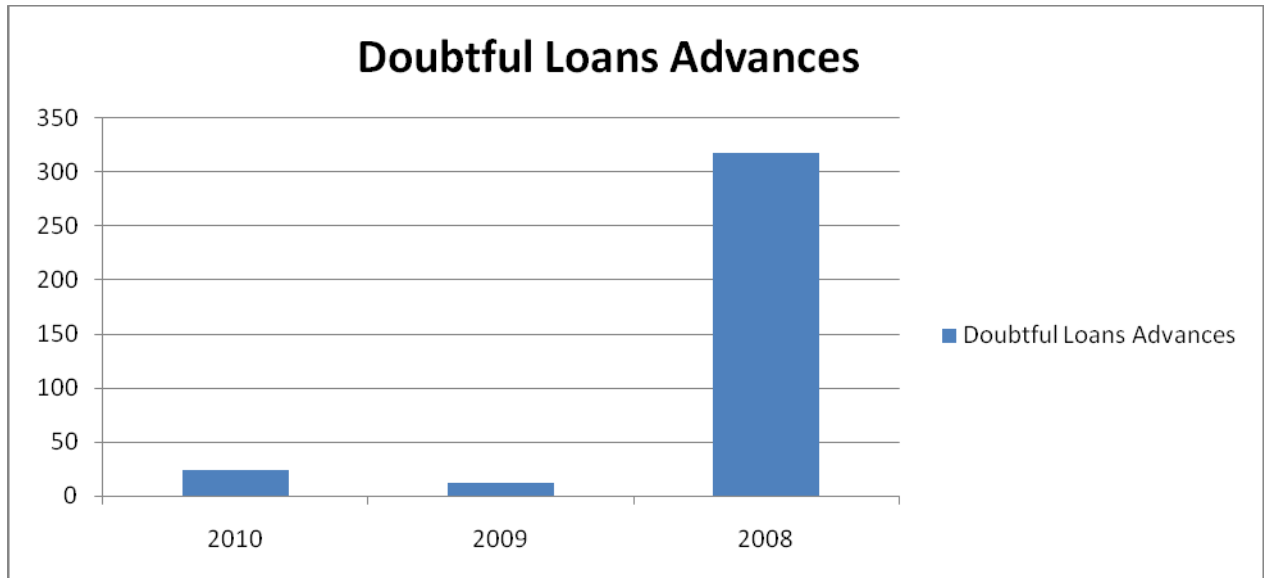
01. The process of classification of an account will start with strict application of the risk rating assessment that is
 - i. Sub-standard
 - ii. Doubtful
 - iii. Bad or Loss

| Past due | Classification Status |
|----------|-----------------------|
| 180 days | substander |
| 270 days | doubtful |
| 360 days | bad/loss |

| Particulars | 2010 | 2009 | 2008 |
|--|--------|---------|---------|
| Sub-Standard Loans & Advances | 52.84 | 165.85 | 25.972 |
| Doubtful Loans Advances | 24.08 | 11.732 | 317.805 |
| Bad/Loss Loans & Advances | 783.79 | 464.887 | 160.84 |



No.1



5.5 DETERMINING CLIENTS GRADE

From the total weighted score, the grading of the clients will be determined in the following way

| Parameter/Score | Grading |
|---|---------|
| ◆ If the loan is fully backed by Cash/ Like Cash Collateral, then the grade will be | 1 |
| ◆ If the total score is 95 +, then the grade will be | 2 |
| ◆ If the total score falls within 75 – 94, the grade will be | 3 |
| ◆ If the total score falls within 65 – 74, the grade will be | 4 |
| ◆ If the total score falls within 55 – 64, the grade will be | 5 |
| ◆ If the total score falls within 45 – 54, the grade will be | 6 |
| ◆ If the total score falls within 35 – 44, the grade will be | 7 |
| ◆ If the total score is less than 35, (< 35) or Early Alert A/C the grade will be | 8 |
| ◆ If the account is in non-Performing state, the grade will be | 9 |
| ◆ If the loan is classified as SS, the grade will be | 10 |
| ◆ If the loan is classified as DF, the grade will be | 11 |
| ◆ If the loan is classified as BL, the grade will be | 12 |

5.6 FINDINGS

The problems found in the Trust Bank's are:

Advertisement Problem: The bank is also serving the general people but it is not so much popular, because of advertisement. People thought that this bank's purpose is to serve only army people. That's why the bank is not go for a vast banking.

Limited Power to the Managers:

In every bank there is a certain amount that a branch manager can sanction, but in this bank if anyone wants to take a single Taka for loan then the manager has to for the head office approval. Sometimes it may be the cause of losing customer, because it will take time to sanction a loan.

Limited Number of Branches:

The Trust Bank Limited has only 62 branches including 7 SME center all over the Bangladesh. It is a vital limitation for the Trust Bank. Due to limited branches, Trust Bank can't cover the whole area of our country. So if they want to do a vast business, they have to increase the number of branches.

Based on prior discussion we find efficiencies are:

Credit related:

- ✚ Total earning is increasing day by day from credit facility.
- ✚ Credit management procedure follows Bangladesh Bank guidelines strictly.
- ✚ SME and Retail services are quickly provided to customer.
- ✚ Monitoring the credit position time to time to find the defaulter and necessary actions are taken against them to make-up quickly.

Behavioral area:

- ✚ Smiling services with politeness attitude.
- ✚ Team spirit development.

Operational area:

- ✚ Quick services with better way.
- ✚ Provide right suggestion to customer when they need.
- ✚ Employees are very efficient.

Procedural area:

- ✚ Easy procedure.
- ✚ It is not mandatory he/she would be an account holder to get the service.
- ✚ 24 hours and 7 days ATM network.
- ✚ Have more branches to provide customer facility.
- ✚ Some special facilities are providing only for Army personnel.

Technical area:

- ✚ Installing computers, printers, intercoms etc.
- ✚ Develop communication system through Telex/ Fax/ SWIFT in all branches.
- ✚ 24 hours security system.
- ✚ Web cams are active all the time to monitor all the services.

RECOMMENDATION

For improve their performance and remove the problem The Trust Bank has to do some thing and these are:

Vast Advertising:

Firstly the bank has to increase their advertisement and also increase their social activities. So they have to explore their name to the people that everyone can know about The Trust Bank.

Increase Number of Branches:

In this time there is so much competition between each other that a single step can change the all direction. Today's people are very much willing to do banking, which one is near to them. So if the number of branches will not increases than it can lose the customer.

Decentralization of the Power:

The authority power should be decentralized according to their rules and responsibility for the purpose of loan sanction, there is a lot of authority but it should be reduced. The main authority power should provide the responsible branch manager to reduce the unnecessary hassle then it will be better for the bank.

Inactive Marketing Team:

TBL's marketing team is not so much active for collecting loan and deposit. And it has a shortage of marketing people. So more marketing or sales promotion officer is necessary.

Minimize the Disbursement Time:

It takes 15 days, sometimes 1 month also for sanctioning a loan. So it is really a huge time for a person which creates customer dissatisfaction.

Employee Dissatisfaction and reshape of Salary Structure:

The exits dissatisfaction among the employees. Their promotion is very slow manner so in future the switching tendency will increase. Employees' salary structure is not so much standard if we compare with The Standard Bank Limited. So their skill employee always is searching for better offer which will affect the bank performance.

CONCLUSION

Trust Bank Limited starts its operation from November 29, 1999. So within this short time the bank already got the popularity in the people. When this bank starts its operation, their first target customer was the army person, but with the demand of general people the bank is also doing business with the general people.

Trust Bank Limited has been established with the objectives of providing efficient & innovative banking services to the people of all sections of our society. Trust Bank is the most promising private commercial bank in Bangladesh. Everyday Trust Bank makes an effort to increase their product and services although they provide a wide range of product and services to their customers. The bank is spreading its operation through all over the Bangladesh. Recently this bank has 62 branches in all over the Bangladesh. So very recent it will increase their branches to meet up the people demand. It is committed to provide high quality financial services/products to contribute to the growth of GDP of the country and the growth of industrialization, boosting up export, creating employment opportunity for the educated youth, raising standard of living of limited income group and overall sustainable socioeconomic development of the country. The work experience in the Trust Bank, Gulshan Corporate Branch for the period of internship program was very enlightening. All officers of this branch were cooperative and very friendly in their attitude. Job environment in the Trust Bank is excellent. At the same time, the service provided by the officers of this branch is praiseworthy compared to other competitive private and foreign banks. As a concluding remark it can say if any organization wants to increase the loyalty of their employee regarding their job they have to satisfy their employee. If Trust Bank wants to increase loyalty of their employee regarding their organization they should give emphasis on those issues.

I hope, this bank will compete with the first class bank of Bangladesh very soon and Special thanks to all the Employees of Gulshan Corporate Branch, Dhaka.

APPENDIX-1

ABBREVIATIONS

- ✚ SOD = Secured Over Draft
- ✚ PAD = Payment Against Documents
- ✚ LTR = Letter of Trust Receipts
- ✚ IBP = Inland Bill Purchase
- ✚ FDBP = Foreign Document Bill Purchase
- ✚ LDBP = Local Document Bill Purchase
- ✚ CDS = Consumer Durable Scheme
- ✚ HBL = House Building Loan
- ✚ TBL = Trust Bank Ltd.
- ✚ PBL = Prime Bank Ltd.
- ✚ NCB = Nationalized Commercial Bank
- ✚ FCB = Foreign Commercial Bank
- ✚ PCB = Private Commercial Bank

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